



8011-01p  
SECURITIES AND EXCHANGE COMMISSION  
[Release No. 34-74695; File No. SR-NYSEMKT-2015-28]

Self-Regulatory Organizations; NYSE MKT, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Extend the Pilot Period Applicable to the Customer Best Execution Auction per Rule 971.1 NY, until July 17, 2015

April 9, 2015.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”),<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that on April 7, 2015, NYSE MKT LLC (the “Exchange” or “NYSE MKT”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to extend the pilot period applicable to the Customer Best Execution Auction (“CUBE”), per Rule 971.1NY, until July 17, 2015. The text of the proposed rule change is available on the Exchange’s website at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments

---

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to extend the pilot period applicable to certain aspects of the Customer Best Execution – or CUBE – Auction, which is currently set to expire on April 24, 2015, until July 17, 2015.<sup>4</sup>

Background

Rule 971.1NY sets forth an electronic crossing mechanism for single-leg orders with a price improvement auction on the Exchange, referred to as the CUBE Auction.<sup>5</sup> The CUBE Auction, which was approved in April 2014, is designed to provide price improvement for paired orders of any size.<sup>6</sup> Two aspects of the CUBE were approved for a one-year pilot period – Rule 971.1NY(b)(1)(B), which establishes the permissible range of executions for CUBE Auctions for fewer than 50 contracts; and Rule 971.1NY(b)(8), which establishes that the minimum size for a CUBE Auction is one contract (together, the “CUBE Pilot”).

---

<sup>4</sup> The Exchange notes that the proposed extension would align the expiration of the pilot period with that of other competing options exchanges that offer electronic price improvement auctions similar to the CUBE. See, e.g., ISE Rule 723 Supplementary Material .03 (pilot period for price improvement mechanism extended until Friday, July 17, 2015); PHLX Rule 1080(n)(vii); (pilot period for price improvement mechanism extended until Saturday, July 18, 2015); CBOE Rule 6.74A Interpretation and Policies .03 (same); BOX IM-7150-1 (same). Because July 18, 2015 is a Saturday and the Exchange is not open, the Exchange proposes to extend the pilot until Friday, July 17, 2015.

<sup>5</sup> See generally Rule 971.1NY (Electronic Cross Transactions).

<sup>6</sup> See Securities Exchange Act Release No. 72025 (April 25, 2014), 79 FR 24779 (May 1, 2014) (NYSEMKT-2014-17) (the “CUBE Approval Order”).

An ATP Holder may initiate a CUBE Auction by electronically submitting for execution a limit order it represents as agent on behalf of a public customer, broker dealer, or any other entity (“CUBE Order”) against principal interest or against any other order it represents as agent, provided the initiating ATP Holder complies with Rule 971.1NY.<sup>7</sup> Rule 971.1NY(b)(1) sets forth the permissible range of executions for a CUBE Order.<sup>8</sup> Pursuant to the CUBE Pilot, a CUBE Order for fewer than 50 contracts is subject to tighter ranges of execution than larger CUBE Orders to maximize price improvement.<sup>9</sup> Specifically, if the CUBE Order is for fewer than 50 contracts, the range of permissible execution will be equal to or better than the National Best Bid/Offer (“NBBO”), provided that such price must be at least one cent better than any displayed interest in the Exchange’s Consolidated Book.<sup>10</sup>

The CUBE Pilot was initially approved for a one-year pilot.<sup>11</sup> Pursuant to Commentary .01 to Rule 971.1NY, the CUBE Pilot would, if not amended, end on April 24, 2015.<sup>12</sup> In connection with the CUBE Pilot, the Exchange agreed to submit certain data to provide supporting evidence that, among other things, there is meaningful competition for all size orders

---

<sup>7</sup> In addition, CUBE provides for the automatic execution, under certain conditions, of a crossing transaction where there is a public customer order in the same options series on each side.

<sup>8</sup> Subject to specified exceptions, a CUBE Order to buy (sell) may execute at prices equal to or between the initiating price as the upper (lower) bound and the National Best Bid (“NBB”) (National Best Offer (“NBO”)) as the lower (upper) bound. See Rule 971.1NY(b).

<sup>9</sup> See Rule 971.1NY(b)(1)(B). Rule 971.1NY(b)(8), also subject to the pilot period, provides that the minimum size for a CUBE Auction is one contract. See Rule (b)(8).

<sup>10</sup> See Rule 971.1NY(b)(1)(B).

<sup>11</sup> See CUBE Approval Order, supra, n. 6.

<sup>12</sup> See also Commentary .01 to Rule 971.1NY (establishing one-year pilot period for Rules 971.1NY(b)(1)(B) and 971.1NY(b)(8)).

and that there is an active and liquid market functioning on the Exchange outside of the CUBE Auction.<sup>13</sup>

### Proposal to Extend the Operation of the CUBE Pilot

The Exchange implemented the CUBE Auction to provide an electronic crossing mechanism for single-leg orders with a price improvement auction. The CUBE Pilot was designed to create tighter markets and ensure that each order receives the best possible price. The Exchange believes that the CUBE Pilot attracts order flow and promotes competition and price improvement opportunities for CUBE Orders of fewer than 50 contracts. The Exchange believes that extending the pilot period is appropriate because it will allow the Exchange and the Commission additional time to analyze data regarding the CUBE Pilot that the Exchange has committed to provide.<sup>14</sup> As such, the Exchange believes that it is appropriate to extend the current operation of the Pilot. Through this filing, the Exchange seeks to amend Commentary .01 to Rule 971.1NY and extend the current pilot period until July 17, 2015.<sup>15</sup> The Exchange notes that it would retain the text of Rules 971.1NY(b)(1)(B) and 971.1NY(b)(8). In further support of this proposed rule change, the Exchange would continue to submit to the Commission detailed data from, and analysis of, the CUBE Pilot.

### 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>16</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>17</sup> in particular, in that it is

---

<sup>13</sup> See CUBE Approval Order, supra, n. 6 at 79 FR 24779, at 24785-86, fn. 94-95. See also Commentary .01 to Rule 971.1NY.

<sup>14</sup> Id.

<sup>15</sup> See proposed Commentary .01 to Rule 971.1NY.

<sup>16</sup> 15 U.S.C. § 78f(b).

<sup>17</sup> 15 U.S.C. § 78f(b)(5).

designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

The Exchange believes that extending the pilot period is consistent with these principles because the CUBE Pilot is reasonably designed to create tighter markets and ensure that each order receives the best possible price, which benefits investors by increasing competition thereby maximizing opportunities for price improvement. The proposed extension would allow the CUBE Pilot to continue uninterrupted, thereby avoiding any potential investor confusion that could result from a temporary interruption in the CUBE Pilot. Because the CUBE Pilot is applicable to all CUBE Orders for fewer than 50 contracts, and to the requirement that the minimum size of the CUBE Auction is one contract, the proposal to extend the pilot merely acts to maintain status quo on the Exchange, which promotes just and equitable principles of trade and removes impediments to, and perfects the mechanism of, a free and open market and a national market system. The extension of the pilot period will allow the Commission and the Exchange to continue to monitor the CUBE Pilot to ascertain whether there is meaningful competition for all size orders and whether there is an active and liquid market functioning on the Exchange outside of the CUBE Auction.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change simply extends an established pilot program for an additional period and would allow for further analysis of the CUBE Pilot. In addition, the proposed extension would allow the CUBE Pilot to continue uninterrupted, thereby avoiding any potential investor confusion that

could result from a temporary interruption in the CUBE Pilot. Thus, the proposal would also serve to promote regulatory clarity and consistency, thereby reducing burdens on the marketplace and facilitating investor protection.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>18</sup> and Rule 19b-4(f)(6) thereunder.<sup>19</sup> Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)<sup>20</sup> normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>21</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest.

The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Commission believes that waiver

---

<sup>18</sup> 15 U.S.C. 78s(b)(3)(A)(iii). Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

<sup>19</sup> 17 CFR 240.19b-4(f)(6).

<sup>20</sup> 17 CFR 240.19b-4(f)(6).

<sup>21</sup> 17 CFR 240.19b-4(f)(6)(iii).

of the operative delay is consistent with the protection of investors and the public interest because such waiver will allow the pilot program to continue without interruption. Therefore, the Commission designates the proposal operative upon filing.<sup>22</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)<sup>23</sup> of the Act to determine whether the proposed rule change should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEMKT-2015-28 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

---

<sup>22</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>23</sup> 15 U.S.C. 78s(b)(2)(B).

All submissions should refer to File Number SR-NYSEMKT-2015-28. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method.

The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal offices of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make



available publicly. All submissions should refer to File Number SR-NYSEMKT-2015-28, and should be submitted on or before [insert date 21 days from the date of publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>24</sup>

Brent J. Fields,  
Secretary,

[FR Doc. 2015-08549 Filed: 4/14/2015 08:45 am; Publication Date: 4/15/2015]

---

<sup>24</sup> 17 CFR 200.30-3(a)(12).